

## **NEW JERSEY DIVISION OF PENSIONS AND BENEFITS**


## **New Jersey State Employees**

## **DEFERRED COMPENSATION PLAN**

## **INFORMATION STATEMENT**

**NOTE:** The New Jersey State Employees Deferred Compensation Plan and this Information Statement may be amended or modified so as to remain consistent with the laws of the State of New Jersey and the codes and regulations of the Internal Revenue Service. If any discrepancy exists between this Information Statement and the Plan, the Plan shall prevail. This statement was prepared as of June 2002.

## **INTRODUCTION**

The New Jersey State Employees Deferred Compensation Plan was established by New Jersey Public Law 1978, Chapter 39 and is subject to compliance with Title 26 U.S.C., Section 457 of the Internal Revenue Code and the regulations and interpretations of the Internal Revenue Service.

The Deferred Compensation Plan provides means whereby eligible employees may shelter a portion of their income from current Federal income taxes and save for their retirement. No Federal income tax will be due on deferred amounts or on any accumulated earnings until an employee receives a distribution of assets, presumably at retirement, when his tax rate should be lower. Individual accounts will be maintained and quarterly statements of each participant's account balance will be provided by the New Jersey Division of Pensions and Benefits, the administrative agent. All Plan expenses are borne by the participants and notification of the administrative fee will be provided at the time of enrollment. All deferred compensation will be invested in the investment vehicles available under the Plan in accordance with the participant's selection. Participation is entirely voluntary and will not affect other retirement benefits, such as an individual's pension or Social Security benefits. Enrollment packages are available at local personnel offices.

The New Jersey State Employees Deferred Compensation Board, composed of the State Treasurer, the Commissioner of Banking and Insurance of the State of New Jersey, and the Director of the Office of Management and Budget in the Department of the Treasury, is the governing body of the Deferred Compensation Plan. The Board is the final authority on all matters concerning the operations of the Plan. By law, the State Investment Council has the right to supervise certain aspects of the Plan including the investment of Plan assets.

# **NEW JERSEY DIVISION OF PENSIONS AND BENEFITS**

## **NEW JERSEY STATE EMPLOYEES DEFERRED COMPENSATION PLAN**

AUTHORITY: Unless otherwise expressly noted, all provisions of this chapter were adopted by the New Jersey State Employees Deferred Compensation Board pursuant to authority delegated at N.J.S.A. 52:18A-163 et seq.

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## **SUBCHAPTER 1: ESTABLISHMENT AND PURPOSE OF THE PLAN**

### **1.1. Establishment of Plan**

This Plan shall be known as the "New Jersey State Employees Deferred Compensation Plan" (hereinafter referred to as the "Plan") and was created in accordance with P.L. 1978, c. 39. The Plan became effective on June 19, 1978. The New Jersey State Employees Deferred Compensation Board (hereinafter referred to as the "Board") was empowered to adopt a written plan consistent with the requirements of the Internal Revenue Code (IRC) Section 457.

### **1.2. Purpose of Plan**

The Purpose of this Plan is to provide an optional benefit to employees whereby a designated amount of the participant's compensation is withheld each eligible pay period by the State of New Jersey, from current federal income tax liability and invested at the discretion of and in a manner approved by the Board and the State Investment Council (hereinafter referred to as the "Council") as required by P.L. 1978, c. 39, until one of the specified events occur which permits all or part of the moneys withheld together with any earnings, gains or losses to be distributed to the participant or his beneficiary.

## **SUBCHAPTER 2: GENDER REFERENCES AND DEFINITIONS**

### **2.2. Definitions**

These words and terms, when used in this Chapter, shall have the following meanings unless the context clearly indicates otherwise.

“Accounting date” -- the last day of each calendar month.

“Administrator” -- the Division of Pensions and Benefits in the Department of the Treasury of the State of New Jersey.

“Beneficiary” -- the person, persons or legal entity provided for by the participant to receive any undistributed deferred compensation that becomes payable in the event of the participant’s death.

“Benefit Commencement Date” -- means the date selected by the Participant under subchapter 5.4, or by the Beneficiary under subsection 5.6; or the date designated by the Administrator under subchapter 5.4 from the Participant’s failure to make such an election.

“Board” -- the New Jersey State Employees Deferred Compensation Board.

“Compensation” -- the salary (as defined by each employer) which is paid to an employee for employment rendered to the employer from date of enrollment in the Plan.

“Deferred Compensation” -- that portion of the participant’s compensation that the participant and employer mutually agree to defer until the conditions set forth in Subchapter 5 of this Chapter are met.

“Disability” -- a total and permanent disability determined pursuant to the statutes and regulations of the retirement system of which the employee is a member or, if the employee is not a member of any such retirement system, the administrator shall make such determination based upon the requirements established for disability in the retirement system in which the participant would otherwise be required to enroll.

“Employee” -- any person, including elected, appointed or salaried individuals, who provide personal service to the employer.

“Employer” -- the State of New Jersey and its various departments, agencies, authorities, commissions and boards.

“Includible Compensation” -- The term “includible compensation” has the meaning given to the term “participant’s compensation” by IRC Section 415(c)(3). In general, the term “participant’s compensation” means the compensation of the participant from the employer for the year. “Participant’s compensation” shall include any elective deferral (as defined in IRC Section 402(g)(3)), and any amount which is contributed or deferred by the employer at the election of the employee and which is not includible in the gross income of the employee by reason of IRC Section 125, 132(f)(4), or 457. “Includible compensation” shall not include employer pick up of employee contributions to an employees’ trust under IRC Section 414(h).

“Normal Retirement Age” -- with respect to each Participant, is the age elected by the Participant which may not be earlier than the earliest age at which the Participant has the right to retire without the consent of the employer and to immediately receive unreduced retirement benefits under the Employer’s basic retirement plan and which may not be later than the later of the date that the participant attains age 70½, or the date of the Participant’s actual separation from service.

A Participant’s election of a Normal Retirement Age under this provision shall be irrevocable once deferrals have been made utilizing the catch-up provision of this plan as explained in subchapter 3.4. The Participant’s Normal Retirement Age does not control his/her Benefit Commencement Date.

“Participant” -- any employee who fulfills the eligibility and enrollment requirements for participation in the Plan as set forth in Subchapter 3 of this Chapter.

“Pay Period” -- the pay period applicable to each participant.

“Plan” -- The New Jersey State Employees Deferred Compensation Plan as set forth in this Chapter and as it may be amended from time to time.

“Retirement” -- a severance of the participant's employment relationship with the employer for any reason, other than death, which renders the participant eligible to file for and receive benefits from a state-administered retirement system. For purposes of these rules, a disability or deferred retirement becomes a retirement, within the meaning of this Subsection, when the person severs the employment relationship with his/her employer.

“Termination of Service” -- the severance of the participant’s employment relationship with the employer prior to his/her retirement or death.

## **SUBCHAPTER 3: PARTICIPATION IN THE PLAN**

### **3.1. Eligibility**

Subject to the approval of the State Treasurer and the Board, only permanent employees or temporary employees with at least 12 continuous months of service to eligible employers or employees of eligible employers who are members of a New Jersey State-administered retirement system (including the Alternate Benefit Program) and employees appointed by the Governor, are eligible to participate in the Plan.

### **3.2. Enrollment**

Any employee eligible to participate in the Plan may become a participant by agreeing in writing, on the appropriate enrollment forms to be provided by the administrator, to a deferral of compensation in accordance with the provisions of items 3.3 and 3.4 herein on the following basis: An employee may become a participant on the first day of the second pay period of the following month (unless otherwise authorized) but no later than two (2) full calendar months after notifying the administrator of his/her election to defer a portion of his/her prospective compensation in accordance with the Plan.

### **3.3. Minimum Deferral**

Each employee who becomes a participant in the Plan must agree in writing to defer a minimum of one percent of compensation minus any tax deferred pension contribution [IRC Sec. 414(h)], cafeteria plan benefits [IRC Sec. 125], and tax-sheltered contribution [IRC Sec. 403(b)] paid to him/her during each eligible pay period but not less than ten dollars per biweekly pay period, twenty dollars per monthly pay period or an amount equivalent to the monthly premium for any other applicable pay periods. Requested deferrals in excess of the one percent minimum percentage must be made as full percentages in multiples of one percent.

### **3.4. Maximum Deferral**

- (a) Except as provided in subsection (b) of this section, the total amount of compensation that can be deferred for any calendar year under this Plan shall be the lesser of; (1) 100% of compensation minus any tax deferred pension contribution (IRC Sec. 414(h)) OR (2) an annual dollar maximum in accordance with, and subject to the limitations of, IRC Section 457(e)(15)(A) and as periodically adjusted under IRC Section 457(e)(15)(B). Amounts deferred under any other IRC Section 457 plans must be coordinated for the annual maximum deferral. Under the IRC, amounts deferred pursuant to Section 457 shall not exceed 100% of the participant's includible compensation. For the year of enrollment, only compensation paid from the date of enrollment to the end of the calendar year shall be included.
- (b) Catch-up limitation -- For one or more of the Participant's last three (3) taxable years ending before the attainment of the Participant's Normal Retirement Age, the maximum amount of deferred compensation shall be the lesser of:
  - 1. An amount equal to twice the dollar amount stated under provisions of item 3.4(a) herein (taking into account amounts deferred under any other plan established pursuant to IRC Section 457) or,
  - 2. The sum of:



- i. The maximum amount deferrable for that year, computed under subsection (a) of this section; and
- ii. The sum of the normal limitation, computed under subsection (a) of this section, for each of the Participant's "prior taxable years" (as defined below) commencing on or after January 1, 1979, less the amount of deferred compensation for each such prior taxable year.

For the purposes of this subsection (b), a "prior taxable year" means a Participant's prior taxable year that begins on or after January 1, 1979, during which the Participant is eligible to participate in an eligible deferred compensation plan (within the meaning of Code section 457(b)(3)) maintained by an eligible employer and during which deferrals under the plan were subject to a plan ceiling established under Regulations 1.457-2-(e)(1).

For the purposes of this subsection (b), a Participant's Includible Compensation for the current taxable year shall be deemed to include any deferred compensation for the taxable year in excess of the amount permitted under the normal limitation (subsection 3.4(a)), and the Participant's Includible Compensation for any prior taxable year shall be deemed to exclude any amount that could have been deferred under the normal limitation for such prior taxable year.

- (c) All employees who are eligible to make elective deferrals under this plan and who have attained age 50 before the close of the plan year shall be eligible to make catch-up contributions in accordance with, and subject to the limitations of, IRC Section 414(v) of the Code.

### **3.5. Modifications to Amount Deferred**

For employees who enroll under item 3.2. herein and who become participants, the employer shall reduce the participant's total annual compensation, on a biweekly or monthly basis, by the deferred compensation amount indicated on the participant's election to defer. That amount, which is subject to the provisions of items 3.3 and 3.4 herein may be increased or decreased at any time, commencing with the second pay period (unless otherwise authorized) of the calendar month after written confirmation has been issued by the administrator.

### **3.6. Voluntary Suspension of Deferral**

A participant may elect to suspend his/her deferral of compensation commencing with the first day of the second pay period (unless otherwise authorized) of each calendar month but no later than two full calendar months after written confirmation has been issued by the administrator.

An employer may resume making deferrals in accordance with items 3.3 and 3.4 herein commencing with the first day of the second pay period (unless otherwise authorized) of each calendar month but no later than two full calendar months after written confirmation has been issued by the administrator.

### **3.7. Duration of Election to Defer Compensation**

Once an election to have compensation deferred has been made by the participant, the election shall continue in effect until the participant's termination of service, retirement or death unless, prior to such event, the participant has modified his/her deferral or voluntarily elected to suspend his/her deferral in accordance with items 3.5 and 3.6 herein.

### **3.8. Compensation Deferral and Other Salary Deductions**

Deductions from an employee's gross compensation for state and social security taxes, pension contributions and other mandatory or elective deductions shall be made before the employee's deferred compensation is deducted. Any amount of the employee's salary that is deferred under the Plan shall continue to be included for all purposes, including state taxation, social security and pension benefits earned by any such employee, but any salary deferred shall not be included in the computation of any federal income taxes withheld from the employee's salary on behalf of such employee.

### **3.9. Duration of Participation**

An employee shall continue his/her participation in the Plan until such time as he/she is no longer deferring a portion of his/her compensation, including a voluntary suspension in accordance with item 3.6 herein, and all balances credited to his/her account have been paid.

### **3.10. Beneficiary Election**

A participant may choose his/her beneficiary in the event he/she should die prior to receiving the full amount of his/her account. The election of a beneficiary is required upon enrollment into the Plan. The participant may change the beneficiary election at any time provided the proper Deferred Compensation Beneficiary Request form is filed with the Plan. A new Beneficiary Request form will supersede all others on file with the Administrator.

## **SUBCHAPTER 4: GENERAL ADMINISTRATION**

### **4.1. Records**

The minutes of the Board's meetings are public records and may be inspected during regular business hours at the Office of the Division of Pensions and Benefits under the supervision of a representative of the Division of Pensions and Benefits.

Records considered confidential include specific individual account or investment changes, mailing addresses of active and retired participants and individual files relating to beneficiary designation.

### **4.2. Non-assignability**

This plan and any contract entered into between the employer and a participant and the benefits, procedures or payments thereunder are non-assignable and non-transferable and shall not be sold, assigned, pledged, commuted, transferred or otherwise conveyed by an employee, participant or beneficiary. Any attempt to so assign or transfer shall not be deemed to constitute a revocation by such participant pursuant to item 3.6 herein.

The State of New Jersey shall be the owner of all deferred compensation hereunder and shall be the sole beneficiary of any investment contract entered into pursuant to this Plan. The Division of Investment shall be the custodian of such investment contracts and shall take the necessary steps to provide a place of safekeeping for such contracts.

Except as otherwise required by law, any deferred compensation paid pursuant to this Plan shall not be subject to attachment, garnishment or execution or to transfer by operation of law in the event of bankruptcy or insolvency.

The Plan may not provide for the payment of amounts under the Plan other than amounts deferred under the Plan and any moneys earned thereon. The Plan may allow for the portability of appropriate amounts of employees' credits from similar plans maintained by other employers (See Subchapter 6 of this Chapter concerning Transfers and Rollovers).

### **4.3. Amendment of the Plan**

The Board shall have the authority, by the vote of a majority of its members, to amend this Plan from time to time. No amendments or modification shall affect the rights of participants or their beneficiaries to the receipt of compensation deferred prior to such amendment or modification.

#### **4.4. Termination of the Plan**

The Board, in accordance with the provisions of P.L. 1978, c. 39, shall have the authority to terminate this Plan or to substitute a new plan consistent with the requirements of the Internal Revenue Service.

Upon termination, each participant shall be deemed to have withdrawn from the Plan as of the date of such termination: the participant's full compensation on a non-deferred basis will be restored; and the administrator shall treat such participants as if they had a termination of service on the date of such termination and pay such deferred compensation in accordance with provisions of item 5.4 herein.

Any substitution of a new plan, consistent with the requirements of the Internal Revenue Service, shall provide for the retention by the employer of the amounts already deferred under the prior plan and for the distribution of said amounts in accordance with the irrevocable written elections made pursuant to item 5.4 herein.

#### **4.5. Applicable Law**

This Plan shall be construed, administered and governed in all respects under and by the laws of the State of New Jersey and consistent with applicable sections of Internal Revenue Code and the regulations and interpretations of the Internal Revenue Service. The Board shall have authority to make any changes in this Plan necessary to conform its terms with the requirements of the federal law and the Internal Revenue Service.

#### **4.6. Responsibility for Administration and Investment**

This Plan shall be administered by the Division of Pensions and Benefits (the "administrator").

The Division of Investment shall serve as the named fiduciary for the investment of funds under the Plan, subject to certain supervision by the State Investment Council as described below and shall be responsible for all functions related to the management of those investments including, but not limited to, the voting of any share held pursuant to the provisions of Subchapter 5 of this Chapter.

Subject to the prior approval of the Board, the Division of Pensions and Benefits may contract with one or more private parties ("agent" or "agents") to perform some or all of the administrative functions prescribed by the Plan.

Subject to the prior approval of the State Investment Council and the Board, the Division of Investment may contract with one or more private parties ("agent" or "agents") for the investment of some or all deferred and deducted salary funds in accordance with the investment options specified in Subchapter 5 of this Chapter and any accounting and administrative functions related thereto.

Any contract authorized by this section shall be conducted in accordance with applicable procurement bidding requirements for awarding State contracts.

#### **4.7. Authority of the Administrator and the Division of Investment**

The administrator and, with regard to investment matters, the Division of Investment and the State Investment Council shall have the full power and authority to promulgate, adopt, amend or revoke such rules and regulations concerning their respective functions as are consistent with this Plan and which are necessary to implement and maintain this Plan.

The administrator, the State Investment Council, the Division of Investment or their agents shall have the authority to require such supportive information, documents or evidence as they deem necessary to carry out their responsibilities under this Plan.

The Board may rule on any matter involving the construction of the Plan and the interpretation of its terms and may exercise such authority in cases involving prior rulings or interpretations by any agent, representative or designee of the Board, acting pursuant to authority delegated by this Plan or by the Board. Any Board decision or any such matter shall be final and binding upon all parties.

#### **4.8. Certain Duties of the Administrator**

Whenever a deferral of a participant's compensation becomes effective, the participant shall receive from the Administrator a confirmation stating the amount of the deferral. This amount shall not be included as a part of his/her compensation for federal income tax purposes.

The Administrator, on behalf of the State of New Jersey shall enter into a written agreement with each participant that will set forth:

1. The obligation contained in this Plan;
2. The method of payment upon the qualifying events specified in the Plan;
3. The amounts of compensation to be deferred;
4. The name of any beneficiary or beneficiaries; and
5. A signed copy of the Plan's Memorandum of Understanding.

6. Such other information as the administrator deems necessary to administer the Plan.

Pamphlets describing this Plan and outlining the options and opportunities available to participants shall be prepared by the administrator or by its agent, subject to the approval of the Board. This pamphlet shall be distributed to all eligible employees during any enrollment period and upon request.

If a participant claims a disability and is not a member of a pension system, the administrator or its agent shall provide for a disability determination based on the requirements established for the retirement system in which the participant would otherwise be required to participate.

#### **4.9. Administrative and Investment Costs**

It is the intent of this Plan that it shall not be implemented or administered so as to be an expense to the State of New Jersey other than for the State's obligation to pay the deferred compensation as provided hereunder.

All expenses associated with this Plan, including but not limited to, administrative and investment costs, shall be charged against the Plan's participants, as determined by the action of the Deferred Compensation Board. Within this regard, the employers, the administrator and the Division of Investment shall report their respective costs so that the Board can enumerate these costs together with the Board's own costs. Included in such costs shall be:

1. The costs of making investments, if any;
2. Collecting the deferred compensation; and
3. Providing information to participants, employees and State agencies.

#### **4.10. Participants' Financial Statements**

Individual fund accounts will be maintained by the administrator for each participant in the New Jersey State Employees Deferred Compensation Plan. Account statements will be sent to participants on a quarterly basis.

The Investments Funds will be audited annually by independent accountants. An Annual Report of the Deferred Compensation Plan will be available to all participants from the Plan administrator. A separate annual report is prepared by independent accountants for the State of New Jersey Cash Management Fund and is available at the New Jersey State Library in Trenton, New Jersey.

## **SUBCHAPTER 5: PARTICIPANT'S ACCOUNT, INVESTMENTS AND DISTRIBUTIONS**

### **5.1. Establishment of Account**

The administrator shall establish a bookkeeping account for each participant that shall be credited as of the date that the participants' compensation is deferred. Subject to item 4.4 herein, the account shall also be credited with any increase or charged with any decrease incurred by the State of New Jersey attributable to any investment of the deferred compensation.

The State of New Jersey is only under a contractual obligation to make payments under this Plan in accordance with the provisions of this Subchapter as payments become due. The State is not a guarantor of the Plan.

The State and its instrumentalities, agents and employees, including but not limited to the Board, members of the Board, employees of the State of New Jersey Department of the Treasury (including Division Directors and employees of the Divisions), the State Investment Council and its members, shall not be liable for any claims raised by any employee by reason of participation in the Plan.

### **5.2. Assets Held In Trust**

Any assets, whether in cash or investments (including life insurance policies and annuity contracts), which the State of New Jersey may earmark to pay or measure any deferred compensation under this Plan, shall at all times be held in trust for the exclusive benefit of the Plan's participants and their beneficiaries.

The participant and his/her beneficiary shall not have any property interest whatsoever in any specific trust asset because of his/her election to defer any compensation under this Plan.

### **5.3. Investment Options**

Upon enrollment in the Plan under the provisions of item 3.2 herein, each participant must designate, on an enrollment request provided by the administrator, the portion of his/her Deferred Compensation that will be invested in one or more of the following investment funds:

*Investment Fund 1 (Bond Fund)*, which shall be invested by the Division of Investment, at its discretion, in fixed income securities, including but not limited to corporate or government bonds, certificates of deposit, commercial paper or mortgages.

*Investment Fund 2 (Equity Fund)*, which shall be invested by the Division of Investment, at its discretion, in equity securities, including by not limited to common or preferred stocks or securities that are convertible into common stocks.

*Investment Fund 3 (Money Market Fund)*, which shall be invested by the Division of Investment, at its discretion, for capital preservation in short-term debt obligations maturing over a period not exceeding one year or in the State of New Jersey Cash Management Fund.

*Investment Fund 4 (Small Cap Equity Fund)*, which shall be invested by the Division of Investment, at its discretion, in equity securities of companies with total market capitalization of less than \$1.3 billion, including by not limited to common or preferred stocks or securities that are convertible into common stocks.

Each participant may request that his/her deferred compensation account be invested 100% in any of the Investment Funds described in this section or in multiples of 1% thereof in any combination of those investment funds as long as the total equals 100%. If a participant fails to make an investment election or if the participant's investment election does not equal 100% of his/her deferred request, **the request will be rejected and returned to the participant.**

From any of the above-mentioned funds, the Division of Investment, at its discretion, may invest up to 25% of the assets of such Fund in short-term debt obligations maturing over a period not exceeding one year.

A participant must elect where his/her deferrals are to be invested. The participant may choose one or all funds in increments of 1%. Investment election changes may occur only with the first regular pay period of each calendar month.

A participant who has terminated his/her employment or has retired, and has chosen to receive installment payments, may elect to re-invest the value of his/her account balance in any other Investment Fund(s). Participants who are receiving installment payments or participants who have deferred their payment from the Plan may change this election in accordance with item 6.2.

The Division of Investment, as the named fiduciary pursuant to the provisions of item 4.1 herein, shall invest such funds on behalf of the State of New Jersey, and, at the discretion of the Board and subject to the approval of the State Investment Council, may contract with an agent or agents in accordance with the provisions of item 4.1 herein. The Board also has the authority, after providing notice to the affected participants, to eliminate any or all of the Investment Funds created by the Plan and may direct the Division of Investment to invest funds affected by such action in any manner consistent with the provisions of the Plan.

#### **5.4. Mode of Distributions**

A participant must separate from state service in order to be eligible for a distribution of funds.

Special provisions exist for the payment of benefits to a member suffering an unforeseeable emergency. Please refer to Subsection 5.9, "Hardship Distribution" for more information.

Special provisions exist for the payment of benefits to a member with inactive accounts. Please refer to Subsection 5.10, "In-Service Distribution" for more information.



Special provisions exist for the transfer of funds by a member to purchase permissive service credit under a governmental defined benefit plan. Please refer to Subchapter 8, "Transfers to Purchase Permissive Service Credit" for more information.

Special provisions exist for the payment of benefits to an alternate payee under a domestic relations order. Please refer to Subchapter 7, "Alternate Payee" for more information.

The administrator shall develop, to the extent practicable, reasonable procedures to provide that, upon receipt of notification of a participant's retirement or termination of service, the administrator shall notify the participant, who has not elected a payment alternative pursuant to this Plan, that he/she may make such a payment alternative election.

The payment of installments may be selected by a participant who has the minimum balance of at least \$5,000 at the time the administrator receives the notification of election.

1. Any such selected payment alternative shall not defer a lump sum payment or initial installment payment to a future date that exceeds 90 days after the close of the calendar year in which the participant:
  - a. terminates service with his/her employer,
  - b. becomes permanently disabled,
  - c. retires, or
  - d. attains age 70½.
2. A participant's beneficiary (if the separation is due to the participant's death) may elect to defer the distribution of the amounts deferred until no later than 60 days after the close of the calendar year in which the participant would have attained normal retirement age. This election may be made no later than one month prior to the date that payments are to commence. If such election is made, the beneficiary need not elect the method of payment, or if one is elected, may change the method elected no later than one month prior to the date payments are to commence.

**The payment alternatives are:**

1. Lump sum paid in accordance with item 5.5 herein, on the date selected by the participant pursuant to this Subchapter.
2. Monthly installments over a period not to exceed the lesser of:
  - i. fifteen years,
  - ii. the life expectancy of the participant, or
  - iii. if the participant's spouse is named as a beneficiary, it will include the joint life and last survivor expectancy as determined by the applicable proposed rule or rules of the Internal Revenue Service.

This will apply provided that the total monthly payments during any year shall not be such that the annual amount to be paid under the following periodic formula, which must be applied to each of the participant's funds, were the sum total of each of the participant's funds equals the total installment payment to the participant;

- i. On a tax year basis, the unit basis shall be the subtotal of the participant's accumulated units on the accounting date on which the installment is payable times a fraction that is one over the total number of periods during which installments are to be paid. The unit basis pursuant to this Subchapter is multiplied by the unit value at the accounting date on which the installment is payable in order to derive the dollar value of the installment.
  - ii. The unit basis of each subsequent installment on a tax year basis shall be the subtotal of the participant's remaining accumulated units on the accounting date on which installment is payable times a fraction that is one over the total number of remaining periods during which installments are to be paid. The unit basis pursuant to the Subchapter is multiplied by the unit value at the accounting date on which the installment is payable in order to derive the dollar value of the installment.
3. A combination of both lump sum and monthly installment payments permitted under the provisions of paragraph 1 and 2 of this subsection. The initial amount will be a lump-sum amount designated by the participant. Monthly installment payments will immediately follow over a period of one to fifteen years. There must be at least a \$5,000 account balance to commence installment payments.

Once the participant or beneficiary has selected a method of payment, the method of payment may be changed up to 30 days prior to the actual start of distribution payments.

The following provisions will apply based on the death of the participant prior to receiving his/her full distribution:

1. If a participant, who is entitled to receive or is receiving a distribution under this Plan, dies prior to the time he/she has received the full distribution to which he/she is entitled at the date of his/her death, the remaining distribution(s) shall be paid to the deceased participant's beneficiary; or
2. Upon the death of the participant, the administrator shall adjust, as necessary, any remaining series of payments so that all of the remaining distribution is paid within five years of the participant's death unless the beneficiary is the participant's spouse.

The administrator shall determine, as frequently as necessary, whether any distribution formulas provided for in this Section are in compliance with the applicable rule or rules of the Internal Revenue Service and shall, if necessary, revise those formulas to achieve such compliance. The administrator shall identify any distribution, as presently provided or as subsequently revised, which is not or will not be in compliance with the Internal Revenue Service rules and regulations and then make the payment schedule changes necessary to achieve immediate compliance prior to any such distribution to a participant.

### **5.5. Accounting Dates and Participant and Investment Fund Valuations**

Any Investment Fund under the Plan is to be valued by the administrator as of each accounting date so that a participant's account can be determined as of any accounting date pursuant to a uniform system of accounting which has been approved by the State Investment Council. The administrator shall provide each participant with a statement of his/her account as of the end of each calendar year quarter and may provide more frequent statements as is deemed appropriate. At their respective discretion, the Board or the State Investment Council may directly or through a contract agent conduct audits of the accounts of funds established pursuant to this Plan. Any Investment Fund is to be valued by the Board at the fair market value as of each accounting date pursuant to the uniform system of accounting.

All withdrawals and distributions made under this Plan shall be made by check, subject to any appropriate tax deductions.

The participant's account shall be valued for a lump sum or initial installment payment as of the accounting date coincided with the receipt by the administrator of a written notification of the participant's retirement or termination of service unless:

1. The participant has elected to commence payment at a later date, in which case the participant's account shall be valued for a lump sum or initial installment payment as of the accounting date immediately preceding said payment date, or:
2. The administrator determines that additional time is required in which case the accounting date will be two months prior to the payment date.

After initially determining a payment date the administrator, to the extent that is reasonable and practicable, shall use that date as the uniform payment date every month.

The amount paid upon such withdrawal or distribution shall be based upon the participant's account as of the accounting date immediately preceding any such payment.

If the administrator determines that more than one month is required for making payment, then all such withdrawals and distributions shall be based on the participant's account as of the accounting date two months prior to the payment date.

### **5.6. Distribution Upon Retirement or Death**

Subject to the provisions of item 5.2 herein and upon the retirement or death of a participant, payments shall be distributed to the participant or, in the case of death, to his/her beneficiary in the manner set forth in item 5.4 herein provided that, in the case of retirement, the participant advised the administrator in writing at least two full calendar months subsequent to his/her date of retirement. If a participant did not provide such written notice, the administrator may delay, if necessary, the initial payment or lump sum payment, as the case may be, for not later than 90 days after the close of the Plan year in which the participant retires.

### **5.7. Distribution upon Termination: Disability**

Subject to the provisions of 5.2 herein, and upon termination of employment of a participant due to disability, payments shall be distributed to the participant in the manner set forth in item 5.4 herein.

### **5.8. Distribution upon Termination of Service Prior to Retirement: Reasons other than Death or Disability**

Subject to the provisions of item 5.2 and upon the participant's termination of service prior to his/her retirement or any reason other than his/her death or disability, payments shall be distributed to the participant in the manner set forth in item 5.4 herein.

### **5.9. Hardship Distribution**

A participant may request a distribution from his/her deferred compensation account if faced with an unforeseeable emergency that is determined to meet the requirements of Internal Revenue Code §457 by the Plan Administrator. The request is made by completing and returning the Deferred Compensation Unforeseeable Emergency Withdrawal Application to the Plan Administrator.

Within ten working days of receiving an Unforeseeable Emergency Withdrawal Application, the administrator shall determine whether the participant qualifies for a withdrawal of his/her deferred compensation. Any such determination shall comply with the regulations or the requirements established by IRC §457. At the request of the administrator, the participant may agree to an extension of the period for making such determination.

A participant making a request for an unforeseeable emergency withdrawal will be required to suspend his/her deferrals to the Plan for six consecutive months. Following that time he/she may apply to the Plan for resumption of his/her deferrals.

The administrator shall have the authority to require such medical or other evidence as he/she may need to determine the necessity of the participant's withdrawal request.

If the administrator should deny a participant's request in whole or in part, the participant may appeal to the Board and shall direct the administrator to so notify the Board.

If such application for withdrawal is permitted, the amount of such withdrawal shall be limited to an amount that is sufficient to meet the emergency. The participant's account shall be valued as of the accounting date coincident with or next following approval of the participant's request.

### **5.10. In-Service Distribution**

Upon election by the participant if:

1. the participant has not made deferrals into the plan for at least 24 months;
2. the total amount payable to a participant under the Plan does not exceed \$5,000;
3. no additional amounts may be deferred under the plan with respect to the participant for one year at which time the participant may apply to the plan for resumption of deferrals; and
4. only one such distribution under this provision is allowed to an individual while participating in the Plan.

Payment shall be made in lump sum in accordance with section 5.5 herein.

## **SUBCHAPTER 6: TRANSFER AND ROLLOVER**

### **6.1. Definition of Interest in this Subchapter**

For purposes of this Subchapter, when the term “interest” is used herein, it shall be deemed to mean the legal rights and privileges that a participant has within the program and shall not mean any additional funds earned in the investment.

### **6.2. Transfer of Fund Balances within the Plan**

The participant may transfer his/her balances from his/her present fund(s). The transfer of the fund(s) will take place at the end of each month and must be in multiples of one percent.

In order to accomplish these elections, the participant must complete a Change Request Form which is available from his/her personnel or payroll representative.

### **6.3. Rollover to the Plan**

- a) If a participant was formerly a participant in an eligible retirement plan the new plan shall accept assets representing the value of such account if the administrator of such plan and the participant consent to such a transfer. The administrator, in its sole discretion, may require that some or all of such account be transferred in cash or its equivalent.
- b) The Plan will accept a direct rollover of an eligible rollover distribution from:
  - i. a qualified plan described in section 401(a) or 403(a) of the Code, excluding after-tax employee contributions.
  - ii. an annuity contract described in section 403(b) of the Code, excluding after-tax employee contributions.
  - iii. an eligible plan under section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state.
- c) The amount of any rollover from an eligible plan under section 457(b) of the Internal Revenue Code shall be held, accounted for, administered and otherwise treated in the same manner as compensation deferred by the participant under the Plan except that such amount shall not be considered compensation deferred under the Plan in the taxable year of such transfer in determining the maximum deferral under item 3.4 herein.
- d) Any rollover amount received from an eligible plan under section 401(a) of the Internal Revenue Code or an annuity contract described in section 403(b) of the Internal Revenue Code shall be held and accounted for in the same manner as compensation deferred by the participant under the Plan except that such amount shall not be considered compensation deferred under the Plan in the taxable year of such transfer in determining the maximum deferral under item 3.4 herein.

- e) Any rollover amount received from an eligible plan under section 401(a) of the Internal Revenue Code or an annuity contract described in section 403(b) of the Internal Revenue Code shall be administered and be subject to the same restrictions as otherwise required under applicable sections of Internal Revenue Code.
- f) The State of New Jersey Deferred Compensation Plan requires participants to complete a transfer form and enrollment forms prior to monetary account transfers from the former plan.

#### **6.4. Rollover from the Plan**

- a) A former participant in the Plan may rollover any amount deferred under the Plan to another eligible retirement plan (within the meaning of Internal Revenue Code Section 402 and the regulation thereunder) if such plan provides for the acceptance of such amounts and if the administrator of such plan, the administrator and the former participant consent to such transfer.
- b) For purposes of the direct rollover provisions in this subchapter, any amount that is distributed on account of hardship shall not be an eligible rollover distribution and the distributee may not elect to have any portion of such a distribution paid directly to an eligible retirement plan.

#### **6.5. Eligible Retirement Plan Defined**

For purposes of the direct rollover provisions in subchapter 6.4, an eligible retirement plan shall mean an eligible plan under section 401(k) of the Internal Revenue Code, an annuity contract described in section 403(b) of the Internal Revenue Code and an eligible plan under section 457(b) of the Internal Revenue Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this plan. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relation order, as defined in section 414(p) of the Code.

#### **6.6. Administrative Rules**

The administrator shall prescribe such rules consistent with the provisions of items 6.3 through 6.5 herein concerning rollovers as it deems desirable for the orderly administration of the Plan and consistent with applicable sections of Internal Revenue Code.

## **SUBCHAPTER 7: ALTERNATE PAYEE**

### **7.1. Definition of Alternate Payee**

For purposes of this Subchapter, the term “alternate payee” shall mean a former spouse awarded any portion of benefit payable to a participant under a domestic relations order.

### **7.2. Recordkeeping**

Persuant to the domestic relations order, investment fund(s) units will be transferred from the participant’s existing account to a recordkeeping account established for the alternate payee. The transfer will occur at the end of the accounting period in which the Plan’s administrator receives an acceptable order. The alternate payee will be permitted to transfer investment balances between those investment funds offered to participants of the Plan in accordance with the provisions of item 6.2 herein.

### **7.3. Provisions of the Order**

The domestic relations order must include the following provisions in order to be acceptable for implementation by the administrator:

1. Name, social security number and current address of the Plan participant,
2. Name, social security number and current address of the alternate payee,
3. Valuation date for the amount to be awarded to the alternate payee which coincides with the end of an accounting period under the Plan,
4. Amount awarded to the alternate payee expressed as:
  - a. A specific dollar amount, or
  - b. A percentage of the account.

### **7.4. Benefit Payments**

Benefits will be payable to the alternate payee, or to the alternate payee’s beneficiary, when permitted under the Internal Revenue Code (IRC). Benefits will be reported as income in accordance with provisions of the IRC.

### **7.5. Death of Participant**

Upon the death of the participant any assets assigned to the alternate payee under a domestic relations order will remain in the alternate payee’s control but take the characteristics of a surviving beneficiary.

### **7.6. Death of Alternate Payee**

Upon the death of the alternate payee any assets assigned to the alternate payee under a domestic relations order will then be distributed among the surviving beneficiaries named by the alternate payee in accordance with the provisions of item 5.6 herein.

## **SUBCHAPTER 8: TRANSFERS TO PURCHASE SERVICE CREDIT**

### **8.1. Eligible Service Credit Purchase**

A member may utilize funds within the Plan to purchase permissive service credit, as defined under Internal Revenue Code Section 414(d), in accordance with provisions of Internal Revenue Code Section 457(e)(17).

### **8.2. Administrative Rules**

The administrator shall prescribe such rules consistent with the provisions of items 8.1 herein concerning eligible service credit purchase as it deems desirable for the orderly administration of the Plan and consistent with applicable sections of Internal Revenue Code.



If you have any questions or would like further  
information, please contact:

## **THE NEW JERSEY STATE EMPLOYEES DEFERRED COMPENSATION PLAN**

Division of Pensions and Benefits  
PO Box 295  
Trenton, NJ 08625-0295

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(609) 633-2031

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